

SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

# SIGIR



## Accomplishments

November 2008

The Office of the Special Inspector General for Iraq Reconstruction (SIGIR) is a temporary, cross-jurisdictional oversight agency created in late 2003 by the U.S. Congress to provide independent and objective reporting on the U.S. reconstruction program in Iraq. SIGIR maintains the largest presence (35) of any federal oversight agency on the ground in Iraq. It has three operational directorates: Audits, Inspections, and Investigations.

SIGIR provides information and analysis on the reconstruction program to the Secretary of State, the Secretary of Defense, the Congress, and the American people. Mandated to deter the misuse of taxpayer dollars through the prevention and detection of fraud, waste, and abuse, SIGIR continuously conducts audits, inspections, and investigations aimed at promoting improved economy, efficiency, and effectiveness in the Iraq reconstruction program.

SIGIR's performance has been repeatedly recognized by the President's Council on Integrity and Efficiency (PCIE). In 2006, SIGIR received the Gaston L. Gianni Better Government Award "for demonstrating integrity, determination and courage in providing independent oversight and unbiased review of the United States' reconstruction efforts in Iraq." The award noted that SIGIR continues to perform its mission under dangerous and difficult circumstances,

exemplifying the highest ideals of government services as envisioned by the tenets of the Inspector General Act. In October 2008, the PCIE presented SIGIR with an award recognizing the exemplary work accomplished by SIGIR's entire Audits Directorate and another award lauding the outstanding report on the Mosul Dam produced by SIGIR's Inspections Directorate.



Currently, SIGIR auditors report on every major fund supporting the Iraq reconstruction

### SIGIR'S Mission

- To provide independent and objective oversight of Iraq reconstruction policies, programs, and operations through comprehensive audits, inspections, and investigations.
- To provide information, analysis, and recommendations that promote economy, efficiency, and effectiveness and prevent, detect, and deter fraud, waste, and abuse.

### SIGIR'S Vision

- To be a dynamic and innovative organization that promotes the effective stewardship of U.S. funds appropriated for Iraq's reconstruction.

### SIGIR'S Values

- **Professionalism**—ensuring respect, integrity, and competence in all activities.
- **Productivity**—producing quality products in a timely fashion.
- **Perseverance**—accomplishing our mission in the face of adversity.

program, including the Commander's Emergency Response Program (CERP), Iraq Relief and Reconstruction Fund (IRRF), Iraq Security Forces Fund (ISFF), and Economic Support Fund (ESF).

SIGIR investigators work in partnership with fellow law-enforcement agencies, such as the U.S. Army Criminal Investigation Command's Major Procurement Fraud Unit, the Defense Criminal Investigative Service, and the Federal Bureau of Investigation. SIGIR has conducted more than 370 investigations, resulting in 18 indictments and 11 convictions to date.

SIGIR has published 19 quarterly reports, 129 audits, 131 inspections, and 3 lessons-learned reports that provide comprehensive analysis, recommendations, and insights on U.S. reconstruction efforts in Iraq. All of SIGIR's reports are available at [www.sigir.mil](http://www.sigir.mil).

## Audits

As of October 2008, SIGIR Audits has produced 129 reports addressing various issues related to the Iraq reconstruction program. In these reports, SIGIR has made 343 recommendations covering a wide range of issues that have contributed to improvements in agency operations in a variety of areas and \$81.6 million in savings. The specific areas reviewed include the following:

- **IRRF**—As of September 30, 2008, the agencies carrying out reconstruction activities have obligated \$20.12 billion in Iraq Relief and Reconstruction Funds on projects to address critical deficiencies in Iraqi infrastructure. The funds were appropriated in November 2003, and the first projects were initiated in early 2004. Since that time, SIGIR has conducted reviews focusing on the outcome, costs, and management of approximately \$6.9 billion in IRRF-funded projects, or about 34 percent of the funds. SIGIR has also reviewed numerous aspects of the management of IRRF funds, such as compliance with the property disposal procedures, unmatched disbursements, unliquidated obligations, and compliance with the Prompt Payment Act.
- **CERP**—As of September 30, 2008, Congress has appropriated approximately \$3.56 billion for the Commander's Emergency Response Fund, of which \$3.25 billion has been obligated. SIGIR has conducted four reviews of CERP activities that covered \$1.8 billion in projects, or about 62 percent of CERP spending. The most comprehensive of these was a review of large-scale CERP projects, defined as those costing more than \$500,000. SIGIR has also reviewed CERP asset-transfer practices, policies, and procedures.
- **ESF**—The Economic Support Fund promotes Iraq's transition to democracy by funding local and national capacity-development programs that support governance, civil society, economic policy reform, private-sector initiatives, and agriculture. As of September 30, 2008, Congress has appropriated \$3.74 billion to the ESF, of which \$3.17 has been obligated. Provincial Reconstruction Teams (PRTs) are a primary means of executing ESF-funded activities. For example, PRTs are budgeted for \$2.9 billion in ESF funding. SIGIR has conducted three reviews of the PRTs' organization, management, and programs. SIGIR also has two ESF reviews underway looking at democracy-building activities and the local governance program. SIGIR has also completed two reviews of activities that together have received \$1.5 billion in ESF funding;

the Local Governance Program and three interagency agreements to conduct PRT activities.

■ **ISFF**—The Iraq Security Forces Fund supports the reconstruction needs of the Iraqi Security Forces by providing equipment, supplies, services, training, and facility and infrastructure repair. Congress has appropriated \$18.04 billion to the ISFF, and as of September 30, 2008, the fund has obligations of \$14.09 billion. SIGIR has reviewed the project obligation rates for the Iraqi Security Forces infrastructure program, funded at \$4.7 billion. SIGIR has also conducted reviews of other ISFF activities such as force strength accounting.

■ **DFI**—The Development Fund for Iraq (DFI) was created to hold Iraqi oil revenues and other Iraqi assets. Altogether, \$9.3 billion was used to fund development projects. SIGIR has conducted numerous reviews of this spending, totaling about \$5.2 billion of the \$9.3 billion spent, or about 56 percent of the funds. SIGIR has also reviewed management of DFI funds, such as contract award procedures and fund controls. The cumulative value of funds covered by these reviews is \$12 billion. A number of SIGIR's reports identified material management control weaknesses, including missing money. Five convictions have directly resulted from SIGIR's review of DFI fund management, and additional cases are pending.

■ **LOGCAP**—SIGIR has conducted four reviews of the Logistics Civil Augmentation Program (LOGCAP). LOGCAP provides mission support to the U.S. Embassy-Iraq through a reimbursable task order. SIGIR's reviews have covered property controls for approximately \$64.8 million in property

and outcome, cost, and oversight reviews of two task orders valued at \$753 million.

■ **Other Funds**—SIGIR has issued 7 audit reports on U.S. management of other funds used for Iraq reconstruction, including the Oil for Food program, Iraqi Interim Government Fund, and Iraqi Seized Assets Funds. SIGIR's reviews of these funds helped to provide greater assurance that the managing agencies are properly carrying out their fiduciary responsibilities. SIGIR has also issued 3 reports on the Coalition Provisional Authority's management of personnel and material assets.

■ **Capping Report**—In July 2008, SIGIR issued an audit capping report assessing the results of its entire line of audit products. The report identified lessons learned linked to four broad recurring management issues:

1. The need to better understand the problems associated with implementing reconstruction programs in an unstable security environment.
2. The impact of not having an integrated management structure to provide clear lines of authority on program coordination and successful delivery of projects.
3. The importance of anticipating staffing needs and reducing staff turnover.
4. Recognition of how essential working closely with host governments is to the long-term success of U.S. investments in reconstruction projects.

SIGIR's audits and close partnership with Iraq reconstruction managers often result in positive process improvements by implementing stakeholders. Two years ago, SIGIR learned that the award-fee process for cost-plus contracts was not being properly managed. An audit of the process found that there were no adequate

criteria in place for the award of very large award fees. The managing agency quickly reformed the process so that only performance exceeding expectations is rewarded. This is just one example of SIGIR's "real time" auditing.

SIGIR audit findings have been reflected in statutes. For example, a provision of the Supplemental Appropriations Act, 2008, conditions the availability of certain funds on the conclusion and implementation of an asset-transfer agreement that includes a commitment by the government of Iraq to maintain U.S.-funded infrastructure in Iraq. SIGIR had repeatedly reported on problems with the way assets were being transferred to Iraqi authorities and with the sustainment of U.S.-funded infrastructure projects.

Signed into law on October 14, 2008, the Duncan Hunter National Defense Authorization Act (NDAA) for Fiscal Year 2009 imposes a ceiling of \$2 million on the amount of CERP money that DoD can allocate to a single project. The new NDAA further requires the Secretary of Defense to approve CERP projects costing over \$1 million, certifying thereby that the project will meet Iraq's urgent humanitarian relief or reconstruction needs.

## Inspections

As of October 30, 2008, SIGIR Inspections has issued 131 project assessment reports covering 121 project sites collectively valued at more than \$1.82 billion that run the spectrum of reconstruction activities throughout Iraq. SIGIR selects a cross section of projects from each of the major construction sectors and uses teams of auditors and engineers to conduct on-site visits. Projects that have been reviewed include the multimillion-dollar Falluja Waste Water Treatment System, the Kahn Bani Sa'ad

Correctional Facility, the Mosul Dam, schools, airports, border posts, electrical generating facilities, hospitals and medical facilities, military facilities, oil-sector facilities, police facilities such as the Baghdad Police College, road and transportation facilities, water-sector construction, fire stations, and government buildings.

SIGIR was the first inspector general to utilize satellite imagery in production of site assessments of projects in locations too dangerous or remote for inspectors to visit. SIGIR's 640 imagery products are used to triage projects for more intensive review, and they are useful tools for program managers in a troubled security environment.

SIGIR inspectors continue to identify construction deficiencies resulting from insufficient government oversight and inadequate contractor performance. Recurrent problems, such as construction failing to comply with contract-specified international standards and unsafe construction procedures such as jury-rigged electrical wiring and inappropriate plumbing installation, have been identified in SIGIR project assessments, resulting in appropriate action being taken by the responsible oversight agencies.

SIGIR's sustainment reviews indicate that some projects now under Iraqi control are not being adequately maintained. As a result of SIGIR's on-site project assessments, government oversight has increased and contractors are being held more accountable for their work. SIGIR inspectors have facilitated an open dialog with Iraqi counterparts to help ensure that delivered projects are maintained.

In July 2008, SIGIR issued an inspections capping report, which derived common themes present in SIGIR's project assessments and

sustainment reviews. SIGIR's inspections capping report noted that many projects are plagued by the contractor's inability to produce a product that met the specifications required by the contract, as well as the lack of compliance with the standards referenced in the contract. Inadequately trained/unqualified contractor personnel, inferior materials, and the lack of oversight on the part of the contractor and government led to many substandard project results. However, in 41 projects, SIGIR found no deficiencies. In these cases, successful results were due to effective quality management by the contractor and government. Further, complete engineering designs and detailed architectural drawings were instrumental in projects that met contract specifications. Early planning and adequate funding enhanced project results and will lead to fewer sustainability issues.

## Investigations

SIGIR has 71 ongoing investigations into allegations of criminal activity involving Iraq relief and reconstruction. The investigations involve bribery of contracting officials, extortion by contract officials, multimillion-dollar fraud, false claims, and theft. SIGIR special agents are investigating sophisticated fraud schemes; cases involving millions of dollars in bribes; the concealment of fraudulently obtained funds in financial institutions in the Middle East, Asia, the Caribbean, and the United States; and criminal activity involving individuals from the United States, Middle East, Asia, and Europe.

As of October 2008, SIGIR investigations have resulted in 18 indictments, 11 convictions, and more than \$17 million in fines, forfeitures, and restitution. The following are some examples of SIGIR's recent investigative case results:

- A civilian contractor was indicted and subsequently arrested for allegedly soliciting bribes while working at Camp Arifjan, an Army base in Kuwait. The indictment alleges that the contractor paid money and other things of value to a U.S. military contracting officer assigned to Camp Arifjan to influence the actions of that officer, including the awarding of contracts. The contractor operated companies that had contracts with the U.S. military, and those companies received more than \$20 million worth of military contracts.
- A U.S. Army officer and his wife pleaded guilty for their conduct related to a conspiracy, bribery, and money-laundering scheme involving contracts awarded in support of the Iraq war. The Army officer admitted to participating in a complex bribery and money-laundering scheme while working as a contracting officer responsible for awarding contracts for services to be delivered to troops in Iraq. In return for awarding illegal contracts, he admitted to receiving, or being promised, more than \$9 million in bribes, and once he agreed to take money in exchange for awarding contracts, he directed the contractors to pay his wife, sister, and others to hide the fact that contractors were paying him bribes. His wife admitted that she accepted more than \$1 million in illegal bribe payments on her husband's behalf and that she stored the cash in safe deposit boxes at banks in Kuwait and Dubai.
- A lieutenant colonel in the U.S. Army Reserve pleaded guilty to wire fraud in connection with a scheme to defraud the Coalition Provisional Authority. The lieutenant colonel admitted that in August 2004 she received a Cadillac Escalade from a contractor. The vehicle was financed through a series of wire transfer payments,

which formed the basis of the wire fraud charge. She admitted that she took more than \$300,000 while deployed there and that she used some of the stolen money to make improvements at her home. The individual also admitted that in July 2004 she helped to move unregistered firearms from a hotel in North Carolina to the home of another co-conspirator who worked with her at the Coalition Provisional Authority.

- A retired colonel in the U.S. Army pleaded guilty for her role in a scheme aimed at influencing the award of a U.S. Department of Defense (DoD) contract at Camp Victory, Iraq in 2004 and 2005. The colonel pleaded guilty to a two-count information charging her with bribery and conspiracy. According to the terms of the plea agreement, she agreed to plead guilty, serve a jail sentence that will be determined by the court, cooperate in the government's investigation, and pay \$9,000 restitution to DoD. According to the charges, in 2005, she served as chair of a selection board over an annual \$12 million contract to build and operate several DoD warehouses in Iraq. She accepted fraudulent bids from a co-conspirator contracting firm and assisted that firm in winning the contract award. In return for these actions, she accepted a vacation to Thailand and \$4,000 in cash.
- A U.S. Army major pleaded guilty to bribery and conspiracy to commit bribery arising out of his activities as a contracting officer in Camp Arifjan, Kuwait, in 2005 and 2006. According to the plea agreement, the major was involved in a criminal conspiracy to accept cash bribes of about \$5.8 million from five DoD contracting firms in return for awarding contracts, as well as blanket purchase agreement (BPA) calls, to those contractors.
- A DoD civilian contracting officer responsible for awarding and administering contracts for goods and services in support of Operation Iraqi Freedom has been charged in a criminal complaint with filing a false income tax return. The indictment alleged that he failed to report an offshore bank account and more than \$700,000 that passed through the account during the time that he was a contracting officer.
- Another civilian contractor in Iraq has been convicted of smuggling bulk amounts of cash in excess of \$150,000 and structuring bank transactions to avoid cash-reporting requirements.

As of October 2008, the U.S. Army Suspension and Debarment Authority has suspended 101 individuals and companies, proposed 69 for debarment, and debarred 41. A valuable byproduct of criminal investigative activities is the deterrent effect resulting from an awareness of the vigorous pursuit of violations of the law.

## Lessons Learned

SIGIR's Lessons Learned Initiative focuses on three areas of the U.S. relief and reconstruction program in Iraq:

- human capital management
- contracting and procurement
- program and project management

The contracting lessons-learned report contributed directly to updated guidance on contingency contracting. The report helped evolve salutary change within the Joint Contracting Command–Iraq/Afghanistan. SIGIR's recommendations led policy makers to explore the creation of an enhanced Contingency Federal Acquisition Regulation (CFAR).



Personnel practices in Iraq changed after SIGIR's lessons-learned report on human capital management. Changes included improved management of tour lengths and personnel transition. The need for developing a "civilian reserve corps" recommended in that report is receiving support in the agencies and from the Congress. SIGIR's lessons-learned report on program and project management also contained valuable guidance that informed subsequent initiatives undertaken by federal agencies involved in the management of reconstruction projects.

In meeting the mission outlined in SIGIR's enabling legislation, which calls on the organization to provide recommendations on policies designed to improve economy, efficiency, and effectiveness, SIGIR's goal is to develop actionable recommendations for enhancing ongoing efforts in Iraq and to inform future U.S. reconstruction and stabilization operations.

SIGIR recommendations were key to informing the development of updated emergency acquisition guidance issued in May 2007 by the Office of Federal Procurement Policy in the Office of Management and Budget. The new guide is designed to help agencies prepare the acquisition workforce for emergencies and includes a number of management and operational best practices that should be considered in planning contingency operations, anti-terrorism activities, and national emergencies.

With enactment of the Reconstruction and Stabilization Civilian Management Act (RSCMA) in October 2008, lessons identified by SIGIR, the General Accountability Office, and others have now produced congressional action promoting systemic change in the U.S. approach to contingency relief and reconstruction operations. Much remains to be done, though, before this reform effort stabilizes the U.S. approach to this critical mission. SIGIR will add a significant

contribution to this reform effort in early 2009 when it releases its comprehensive report on lessons learned from Iraq reconstruction.

The following is a brief summary of some of the lessons-learned recommendations:

## **Human Capital Management**

*January 2006*

1. Congress should fund, expand, and empower the Department of State's Office of the Coordinator for Reconstruction and Stabilization (S/CRS), pursuant to NSPD-44.
2. The Department of Defense should develop complementary plans and programs, pursuant to Department of Defense Directive 3000.05, that coordinate military responses with S/CRS and that integrate S/CRS personnel and initiatives into exercises.
3. The Administration and Congress should develop a "civilian reserve corps."
4. The U.S. Office of Personnel Management should manage the development and implementation of a uniform set of human resources rules that would apply to all federal personnel deployed for contingency operations.

## **Contracting and Procurement**

*July 2006*

1. Explore the creation of an enhanced CFAR.
2. Pursue the institutionalization of special contracting programs.
3. Include contracting staff at all phases of planning for contingency operations.
4. Create a deployable reserve corps of contracting personnel who are trained to execute rapid relief and reconstruction contracting during contingency operations.
5. Develop and implement information systems for managing contracting and procurement in contingency operations.

6. Pre-compete and pre-qualify a diverse pool of contractors with expertise in specialized reconstruction areas.

### Program and Project Management

*March 2007*

1. The Congress should consider a “Goldwater Nichols”-like reform measure to promote

better integration among DoD, USAID, and DoS, particularly with respect to post-conflict contingency operations.

2. The Congress should adequately fund the Department of State’s Office of the Coordinator for Reconstruction and Stabilization.
3. The U.S. government should clarify the authorities of the multiple agencies involved in post-conflict operations to avoid ambiguity over who is in charge.
4. Existing agencies should institutionalize the most effective project management systems, procedures, policies, and initiatives developed during the Iraq reconstruction effort.
5. Program managers should integrate local populations and practices at every level of the planning and execution process.
6. Funding designated for post-conflict contingency programs should support flexible programs and projects that yield both short-and long-term benefits.
7. Develop policies and procedures to manage non-U.S. appropriated funds.
8. The U.S. government should develop comprehensive planning for capacity development. Before approving reconstruction funds, the Congress should require agencies to present a capacity-development strategy that will enable the effective transfer of operational responsibility for reconstruction projects to the host country.
9. Future post-conflict contingency planning should provide for well-resourced and uninterrupted oversight of relief and reconstruction programs to ensure effective monitoring from the outset and permit real-time adjustments.

## SIGIR Summary of Performance as of October 30, 2008

### Audits

Reports Issued	129
Recommendations Issued	343
Dollars Saved and Recovered	\$81,600,000

### Inspections

Project Assessments Issued	131
Limited On-site Assessments Issued	96
Satellite Imagery Products Created	640

### Investigations

Investigations Initiated	374
Investigations Closed or Referred	307
Open Investigations	67
Arrests	16
Indictments	18
Convictions	11
Court-ordered Restitution/Forfeiture	\$17,414,000

### Hotline Contacts

As of September 30, 2008	681
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### Non-Audit Products

Congressional Testimony	26
Lessons Learned Reports Issued	3

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